Impact of Psychographic Factors on Investment Intention for Mutual Funds with special reference to Uttar Pradesh

Submitted in partial fulfillment of the requirement of the degree of

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Certificate

I hereby declare that the short synopsis on ***" Impact of Psychographic Factors on Investment Intention for Mutual Funds with special reference to Uttar Pradesh"*** being submitted in partial fulfillment of the requirement for the degree of Doctor of Philosophy in Commerce under School of Management Studies of U.P. Rajarshi Tandon Open University, Prayagraj during the academic year **2022.**

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ABSTRACT

The Indian mutual fund industry has witnessed a paradigm shift in investor behavior, driven by financial literacy, digital access, and evolving psychological traits. This study explores the role of psychographic factors—such as attitude, awareness, self-efficacy, social media influence, regret aversion, and perceived risk—on investors' intention to invest in mutual funds. Using the Theory of Planned Behavior and Prospect Theory as theoretical bases, this research adopts a quantitative, causal design and utilizes statistical tools to validate relationships between variables. A structured survey of 300- 350 mutual fund investors across six smart cities in Uttar Pradesh offers insights into how intention translates into actual investment behavior. The findings are expected to guide fund managers and policymakers in developing investor-centric strategies to enhance mutual fund participation, particularly by focusing on psychological motivators and behavioral tendencies.

Keywords: Mutual Funds, Psychographic Factors, Investment Intention, Theory of Planned Behavior, Prospect Theory, Regret Aversion, Self-Efficacy

1. INTRODUCTION

Investment option has undergone a paradigm shift from the last four and half years. Efficient resource mobilization by the financial sector is key to economic growth for make in India scenario. Mutual fund is a fund that pools the fund of investors to invest in securities charge against manageable fees. With portfolio diversification, funds managers reduce the risk and optimize the return. Mutual funds provide a platform for common investors to participate in Indian security market with funds houses irrespective of amount invested. Investors turn to mutual funds instead of managing their own portfolio directly. The primary reasons may be why an individual may choose to buy mutual funds instead of individual stocks are Risk Diversification, Smaller capital outlay, convenience, Investment expertise, Variety of products, Tax advantage and lower costs.

Psychographic Segmentation is the research methodology used in marketing of the shared psychological characteristics, including subconscious or conscious beliefs, motivations, and priorities to explain and predict consumer behaviour. It is a powerful tool to understand investors purchase behaviour. It helps the marketers and funds houses to understand the "why" behind investors purchase behavior with the help of investors insight regarding their attitude, beliefs, motivations etc.

In this context, the theory of Planned Behaviour, is used to access the intention of consumer regarding investment choices. Prospect theory explains that people do not always act or take decision rationally but are sometimes options/circumstances are presented and perceived in terms of their losses and gain. (STP). Attaining such massive growth in market size, sustenance, and further progress requires substantial spending on advertisement and other activities to attract prospective investors.

Hence, a comprehensive understanding of determinants of customers' intention toward investment Therefore, in this study, I will try to build on the already existing pieces of literature. I will identify several new variables based on literature & different set of theories in related domains and adapt them to the context of customers' behaviour towards mutual funds investment.

RATIONALE OF THE TOPIC

Since the Government of India announced L.P.G measures in 1991, the stock, shares, mutual funds and other financial market showed a significant growth. For the success of mutual funds, plethora of innovative schemes are provided by funds houses. This evoked a considerable interest to make a detailed study on growth of mutual funds industry.

Individual mindset, action, motive define their expectation of outcome. These expectation are based on the perception regarding that phenomenon. To some extent rational or irrational investment decisions are verifived through empirical method to test psychographic based behaviors pattern of investor. There is wide scope to construct and test behavioral reponses influenced by phsychographic characteristics.

2. LITERATURE REVIEW

(Ajzen & Fisbbein, 1974) Intention to perform behaviour correlated highly with their attitude toward behaviour and with their normative behaviour (subjective norms). Behavioural Intentions correlated significantly with behaviours, although intervening events were found to attenuate the intention behaviour relation. Attitudinal and normative components made independent contribution to prediction of intention.

(Kaniel & Parham, 2017) An impact of media attention and visibility on brand-name recognition at the complex level, and is less consistent with an information channel. Both subsequent funds advertising and efficacy of subsequent media mentions play a role in propagating the effect.

(Devi & Joseph, 2017) In his research he found demographic role plays an important impact on Mutual Fund Industry consisting of 74% of Men and 25% of women. Experienced investor behave more rationally than novice.

(Kaur & Kaushik, 2016) Investigated various factors that impact mutual fund industry. Investor perception, awareness impact individual investment intension and decision, which are guided by attitudes, subjective norms, and perceived behavioral control.

(Ajzen, 2015) The Theory of Planned Behaviour (TPB), explains how individual perform a task- with a positive attitude to complete task , positive surrounding that support the act and the control that boost the performance or mindset to complete successfully.

(Zolait, 2014) To understand what factors motivates the person to act i.e the belief to perform, confidence that boost to complete the task that comes from within (termed as self efficacy) and facilitating tools, source and environment that support from outside, those external factors.. Thus, the control over to complete what they feel about through the external support and own mindset, confidence to do something is termed as perceived behavioural control.

Significance of study

This research will systematically and exhaustively study, the investor investment decision making pattern. The mutual funds companies to attract the investors should understand the behavior of the investors and should focus on those aspects that attract the investors to this investment.

Purpose of this study is to identify key drivers of investor's behavior towards intention to invest in mutual fund industry. To highlights key barriers and challenges that influence the perception and decision of mutual funds investors.

Therefore, Managers and Policymaker of funds houses and regulators to formulate, position, segmented and targeted strategies for growth of mutual funds market and attract prospective customers, those who deposit their precious savings in banks and other traditional avenues having low interest rate which is not enough to beat the inflation

rate. Thus, the indepth study on new variable and theories' based on literature provide valuable insight to new dimension in the growth of mutual fund industry.

Research Gap

Psychographic factors and segmentation on the basis of lifestyle, interest, opinion, values and attitude. There is an abundance of studies that have strongly established a positive linkage between psychographic factors and intention to influence mutual funds investors.

Additionally, prior studies on pshychographic factors have mostly concentrated on the past experience, attitude, awareness and saving habit. However, the studies that directly link pshychographic factors and investors' intention are relatively low and this topic holds vast dimensions. The study on components such as self efficacy, regret aversion, social media, and perceived risk is given less attention. Moreover studies including on all these factors and identifying their impact on the investment intention of investors are very rare.

3. DESCRIPTIVE BROAD AREA

- **Mutual fund:** A pool of funds that are to be invested in different securities.
- **Psychographic factors** are basically "how" individual think regarding a certain field that impact their intention to make decision.
- **Attitude toward the behavior** : personal evaluation of the behavior.
- **Subjective norms**: perceived social pressure to perform or not perform the behavior.
- **Perceived behavioral control**: perception of ease or difficulty in performing the behavior (akin to self-efficacy).
- **Attitude toward behaviour:** degree of a customer's positive or negative perception about a specific behaviour that influences buying intention.
- **Level of Awareness:** Financial awareness is a person's knowledge of relevant fundamentals of finance (Robb &Sharpe, 2009). It can be categorized as subjective and objective financial awareness.
- **Social Media:** It is a platform that outreach investor/customer, informs, controls and advocate and shapes their behaviour pattern. Market sentiment is guided by the belief that the market thinks in its way and investors have to anticipate their movement accordingly. Media visibility increases the firm's investor base and trading momentum.
- **Regret Aversion:** Regret aversion is a concept within the prospect theory(Kahneman and Tversky,1979) describing a negative emotional bias that urges investors to avoid regret, thus sometimes making the wrong decisions. Tsiros and Mittal(2000) also investigated that regret aversion is a significant negative emotion
- **Saving Habbit:** Saving is considered essential to maintain the standard of living, create an emergency funds and meet several other financial goals (Cox & Katona, 1976; Livingstonel & Lunt, 1993; Rana & Paul, 2020; Rószkiewicz, 2014; Yuh & Hanna, 2010). The saving vs. borrowing conundrum in the time of need tends to affect the regular savers and non-savers in terms of control of their lives (Furnham, 1985; Livingstonel & Lunt, 1993; Murendo & Mutsonziwa, 2017). Primarily, studies have

focused on the effects of saving habits on the level of savings and the choice of different saving avenues (Anong & DeVaney, 2010)

- **Self-Efficacy:** People's beliefs in their capabilities to mobilize the motivation, cognitive resources, and courses of action needed to exercise control over events in their lives" (Wood & Bandura, 1989).
- **Perceived Risk:** Perceived risk is an individual's subjective evaluation of the chances of an adverse outcome, often concerning certain risky behaviour (Samadi & Nejadi, 2009). Perceived risk usually has two dimensions, i.e., uncertainty and negative consequences.
- **Investment Intention:** People intention to perform or not, but sometimes it is uncontrollable or lack enough motivation or right knowledge to transform intention into behaviour, thus it should be backed by perceived behavioural control .

4. OBJECTIVES OF THE STUDY

The objective of current study is to explore psychographic factors, which affect investors purchase behavior and intention towards mutual funds.

1. To analyze the demoghraphic profile of mutual funds investors.

2. To identify the pshychographic factors affecting mutual funds investors investment intention.

3. To find out the impact of psychographic factors on investors purchase intention of mutual funds.

4. To analyze the impact of investor purchase intention on actual investment behaviour.

Research Questions

RQ-1: Are the components of the Theory of Planned Behavior (TPB) sufficient to explain the determinants of purchase intention towards mutual funds?

RQ-2: Can improved financial awareness catalyze the investors' intention toward purchasing mutual funds?

RQ-3: Does perceived behavioural control, subjective norm and past experience affect intention toward purchasing mutual funds?

RQ-4: Does self-efficacy and involvement in decision-making influence customers' behavior towards purchasing mutual funds?

RQ-5: Does these psychographic factors change/impact investors intention into actual behaviour to invest in mutual funds?

5. RESEARCH METHODOLOGY

Following are the research methodology of proposed study:-

HYPOTHESIS OF THE PROPOSED STUDY

1: Psychographic factors have a impact on purchase intention of mutual funds.

2: Attitude toward behaviour have positive relation with mutual funds investment intention.

3: Level of Awareness have positive relation with mutual funds investment intention.

4: Social media influence have positive relation with mutual funds investment intention.

5: Perceived behavioural control have positive relation with mutual funds investment intention.

6: Subjective norms have a positive relation with mutual funds investment intention.

7: Past Experience have positive relation with mutual funds investment intention.

8: Regret aversion have negative relation with mutual funds investment intention.

9: Saving habit have positive relation with mutual funds investment intention.

10: Self-efficacy have positive relation with mutual funds investment intention.

11: Perceived risk have negative relation with mutual funds investment intention.

12: Herding have positive relation with mutual funds investment intention.

13: Investment intention have positive relation with actual behaviour to invest in mutual funds.

Research Design

The nature of this study is expected to fall under the category of Causal Research. This research is a quantitative descriptive study using the survey method.

Sources of Data

Primary and Secondary sources data of mutual funds investors will be used for the study.

Method Of Data Collection

For the purpose of the study two sets of data will be used. Data collection in this study will be carried out through interview techniques supported by Self-Structured Questionnaire. A self- structured questionnaire based on 5 point likert scale will be developed followed by multiple choice questions and open ended questions, will be distributed to targeted respondents. The secondary sources of data such as Asset Management Companies, assets under management, financial service provider etc will be accessed too .

Sample And Sampling Techniques

Universe / Population

The sample population for this research will be the customers (investors) who have invested in Mutual funds through different financial sources across cities in the selected district of (75district) Uttar Pradesh.

Sampling type

In this study Purposive Sampling technique will be used to select the respondents from U.P. Selected respondents will be those who are already invested or have intention to invest in mutual funds.

And a Stratified Random Sampling has been used for the selection of districts.

At the First stage all 75 districts are divided into 18 regions (mandals), further divided into Eastern, Western and Central UP.

Now at second stage, districts will be chosen conveniently on the basis of the Smart Cities(10) in U.P mentioned in Central government list (because population in these cities are more financial

literate and aware of the mutual funds investment), out of these10 smart cities 6 cities will be selected randomly through lottery method:

2 from Western UP 2 from Eastern UP 2 from Central UP

Now at the Third stage Nationalized bank will be selected from selected cities, and every alternate investor(randomly) of that nationalized bank will be selected upto certain limit.

Sample size

Cochran's Formula is considered appropriate in situations with large unknown populations.

Necessary sample size = [(Z score)2 x Std Dev x (1- Std Dev)]/(margin of error)2

Z score = 1.96 (in social science research 95% confidence level)

Standard deviation = 0.5, Margin of error (confidence interval) of +/- 5%

= [(1.96)2 x 0.5 x (1-0.5)] / (0.05)2

= 384.16

= 385 (approx.) 400 respondents(investors) = sample size

(Hair, et al., 2010) explained that minimum sampling can be based on the number of indicators used with the provision of 5-10 times the indicator used.

Futhermore It is suggested that the minimum sample should be at least $N \geq V2 + 50$ where N is the minimum sample size, and V is the number of constructs (Paul, et al., 2016).

STATISTICAL TOOLS

To check the measurement model construct reliability and validity will be checked using prescribed tests. Reliability(internal consistency) test (to test reliability of each variable,

to test the ability to provide same result at all times) were tested using Cronbach's Alpha(CA>0.7) and composite reliability (Cr>0.7). Validity test (convergent) whether the indicators used were appropriately representing each variable. Discriminant validity will be checked using Fornell- larcker's criterion and HTMT ratio. Partial Least Square-Structural Equation Modelling(PLS-SEM) will be applied . PLS can work efficiently with both small sample sizes and complex models.

6. EXPECTED OUTCOME

- It is expected that significant psychographic variables will emerge as predictors of investment intention.
- New constructs like regret aversion, self-efficacy, and social media influence will add depth to understanding behavioral intentions.
- The results will help mutual fund companies, financial planners, and policymakers in designing targeted strategies to attract and retain investors, thus contributing to the growth of the mutual fund industry in India.

CHAPTER PLAN

Chapter 1: Introduction to Mutual funds, Psychographic Factors and Consumer Intention

Chapter 2: Review of Literature

Chapter 3: Research Methodology

Chapter 4: Data Analysis and Interpretation

Chapter 5: Findings and Suggestions

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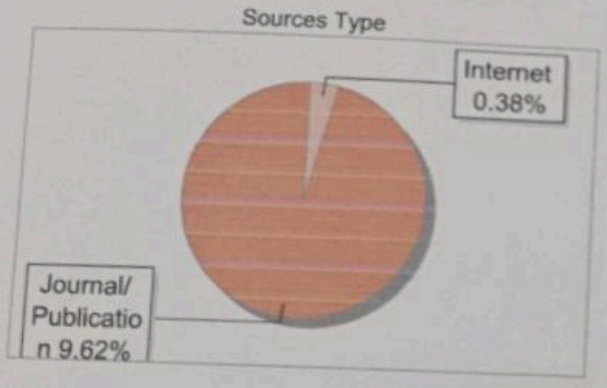

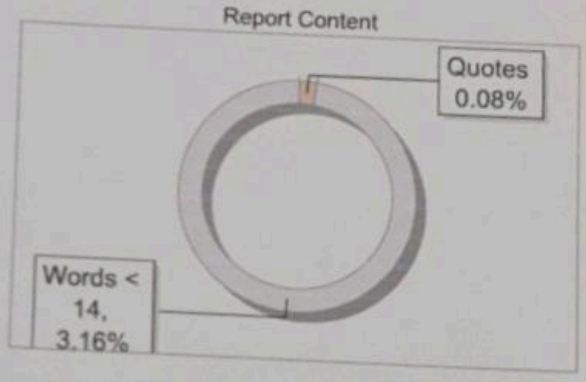

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